Agenda

Beaufort County Council

Beaufort County Economic Development Corporation

County Council Chambers, 100 Ribaut Road, Beaufort, SC

Date Monday November 4, 2019

Time: 11:30 AM – 2:00 PM

Agenda

1. Introductions – John O'Toole, CEcD, Executive Director, Beaufort County Economic Development Corp

   [Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act]

2. South Carolina’s Approach to Company Recruitment and Retention – Nelson Lindsay Director of Global Business Development, Department of Commerce

3. Community Focus on Economic Development – James Chavez, President & CEO SCPowerTeam

4. Applicable Law’s, Tools and Process for Communities to Deliver Local Incentives to Economic Development Projects – Attorney Will Johnson, JD, Haynsworth Sinkler Boyd, P.A.

5. Executive Session – Discussion of matters relating to the proposed location, expansion, or the provision of services encouraging location or expansion of industries or other business in the area served by the public body
The document(s) herein were provided to Council for information and/or discussion after release of the official agenda and backup items.
Update
November 4, 2019
<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Measure</th>
<th>Cumulative</th>
<th>2020 Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Investment (Million)</td>
<td>$75 Million</td>
<td>$77.21</td>
<td>$23.81</td>
</tr>
<tr>
<td>Job Creation</td>
<td>300</td>
<td>507</td>
<td>177</td>
</tr>
<tr>
<td>Retained Jobs</td>
<td>100</td>
<td>144</td>
<td>40</td>
</tr>
<tr>
<td>Product Development</td>
<td></td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Business Retention Meetings</td>
<td>50 Meetings - Follow-up</td>
<td>84</td>
<td>19</td>
</tr>
<tr>
<td>Leads</td>
<td>100</td>
<td>120</td>
<td>22</td>
</tr>
<tr>
<td>Marketing/Communications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnerships</td>
<td>DofC, SCA, Munis/County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td>Public Support for Economic Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentives for Companies</td>
<td></td>
<td>$9,253,265</td>
<td>$2,474,441</td>
</tr>
<tr>
<td>Site Development Grants</td>
<td>$886,964</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,140,229</td>
<td>$2,524,441</td>
</tr>
<tr>
<td>Square Footage Absorbed</td>
<td>262,936</td>
<td>47,016</td>
<td></td>
</tr>
<tr>
<td>New Construction</td>
<td>241,000</td>
<td>83,000</td>
<td></td>
</tr>
<tr>
<td>Annual Compensation Paid at Completion of Projects</td>
<td>$25,413,764</td>
<td>$7,580,454</td>
<td></td>
</tr>
<tr>
<td>Average Annual Compensation</td>
<td>$50,126</td>
<td>$42,827</td>
<td></td>
</tr>
</tbody>
</table>
Lead Status Chart 2018-19

- A: 24
- B: 27
- C: 31
- Dropped: 15
- Finished: 23
## New Construction and Absorbed Properties

<table>
<thead>
<tr>
<th>Southern Beaufort County</th>
<th>Northern Beaufort County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Construction</strong></td>
<td><strong>New Construction</strong></td>
</tr>
<tr>
<td>Bluffton Centre 71,000</td>
<td>Alpha Genesis 50,000</td>
</tr>
<tr>
<td>Burnt Church Distillery 20,000</td>
<td>Seaside Grown 20,000</td>
</tr>
<tr>
<td>Blue Jay Way 12,500</td>
<td>Salt Marsh Brewing 3,000</td>
</tr>
<tr>
<td>Watterson Brands 4,500</td>
<td></td>
</tr>
<tr>
<td>Myrtle Park 60,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total New Construction</strong></td>
<td><strong>Total New Construction</strong></td>
</tr>
<tr>
<td>168,000</td>
<td>73,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Building</th>
<th>Existing Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spartina 40,000</td>
<td>Glass WRX 83,960</td>
</tr>
<tr>
<td>VIM 2,000</td>
<td>LeCreuset 48,960</td>
</tr>
<tr>
<td>GRT Manufacturing 2,000</td>
<td>Stoneworks 37,016</td>
</tr>
<tr>
<td></td>
<td>Blue Sky Processing 15,000</td>
</tr>
<tr>
<td></td>
<td>Dust Solutions 11,500</td>
</tr>
<tr>
<td></td>
<td>Gullah Coop 7,000</td>
</tr>
<tr>
<td></td>
<td>Limuli Laboratories 5,500</td>
</tr>
<tr>
<td></td>
<td>Cabinets by Dean Williams 2,000</td>
</tr>
<tr>
<td></td>
<td>Salt Marsh Brewing 8,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total Existing Buildings Absorbed</strong></th>
<th><strong>Total Existing Buildings Absorbed</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>44,000</td>
<td>218,936</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Total New and Existing</strong></th>
<th><strong>Total New and Existing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>212,000</td>
<td>291,936</td>
</tr>
<tr>
<td>Project</td>
<td>Investment</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Burnt Church</td>
<td>10,250,000</td>
</tr>
<tr>
<td>GlassWRX</td>
<td>15,100,000</td>
</tr>
<tr>
<td>Salt Marsh Brewing</td>
<td>4,9600,000</td>
</tr>
<tr>
<td>Tomato</td>
<td>4,590,000</td>
</tr>
<tr>
<td>Stone</td>
<td>3,860,000</td>
</tr>
<tr>
<td>Gator</td>
<td>12,120,000</td>
</tr>
<tr>
<td>Ikon</td>
<td>5,060,000</td>
</tr>
<tr>
<td>Blueberry (Solar)</td>
<td>16,800,000</td>
</tr>
</tbody>
</table>
Palmetto Electric Cooperative
Site Selection Process
Before the Site Selection Process Can Begin...

Conduct Needs Assessment
- Strategy formation
- Business drivers
- Project timeline
- Criteria weighting
- Employee profile
- Job creation
- Infrastructure needs
- Capital investment
- Geographic preference
- Facility specifications

Community Filtering
- Labor force size
- Competitor concentration
- Wage rates
- Unemployment rate
- Time zone
- Accessibility
- Union conditions
- Utility rates
- Real estate availability
- Economic incentive climate

NOTE: Before a company ever sends out an RFI or conducts a visit, it is quite likely communities, regions and states have already been eliminated.
Getting from the vast universe of sites down to 1 winning site?

Starts With Site Elimination
- Sites that do not meet minimum criteria are eliminated
- Communities who cannot fulfill the companies labor requirement are eliminated
- Sites that cannot assure a talent pipeline
More Site Elimination
• If not already completed, companies will complete due diligence (Phase 1, wetland surveys, cultural assessment)
  • NOTE – *In today’s environment, if due diligence hasn’t already been completed, good chance site will be eliminated. Represents a liability of time and $ for a company.*
• More detailed analysis of workforce...beyond the data
• Is infrastructure sufficient to meet current and future needs?
Getting from the vast universe of sites down to 1 winning site?

Down Selection - Usually to finalist sites within search area...now we negotiate

- Incentive negotiations
  - Land
  - Tax Credits
  - Utility Rates
  - Local taxes
- Cash into project to address critical needs
  - Site development
  - Infrastructure Extension
  - Training needs
Getting from the vast universe of sites down to 1 winning site?

Site Selected!! Now what...

- Development of MOU that outlines:
  - Offerings from state, local and utility partners
  - Defines company’s commitments for capital investment, job creation and electric load
- **NOTE** – Cooperatives include “clawback provision” in contract
- Development of construction timeline and deliverables from all partners.
- PUBLIC ANNOUNCEMENT
Tale of Two Cities...

- Tifton, GA
  - 2017 County Population – 40,598
  - Two Industrial Parks – Built Out
  - Community Leadership was sitting on $6 million cash for land acquisition...never used it
    - Nearly 1000 acres of available land adjoining park has never been purchased
  - Assets –
    - Moultrie Technical College
    - Abraham Baldwin College
    - University of GA – Ag Research facility
  - Assets have not been leveraged for growth
  - Jobs are in decline, rising unemployment.
  - Vacant industrial buildings do not meet today’s site selection minimum criteria.
Tale of Two Cities...

- Clarksville, TN
  - 2016 County Population – 200,182
  - Two Industrial Parks –
    - Commerce Park (Megasite)
    - Corporate Business Park
  - Community Leadership Spent $52 million to acquire and develop:
    - Commerce Park (Megasite) –
      - $23 million – County Bonded Debt
      - Acquired 1000+ acres, Optioned additional 1500 acres
    - Corporate Business Park - $30 million split equally between city and county
  - Assets –
    - Austin Peay State University
    - TN College of Applied Technology
    - Ft. Campbell – 101st Airborne, 5th Group & 160th Special Forces
  - Assets have been leveraged to sell the community for growth
  - Jobs are on the rise, lower unemployment, more opportunity at home.
  - Very few vacant industrial and office space available.
What are the electric cooperatives doing to compete?
SOUTH CAROLINA POWER TEAM STRATEGIC BLUEPRINT

WHAT DOES SUCCESS LOOK LIKE?

5 YEAR METRICS
- 165 ANNOUNCEMENTS (NEW & EXPANSIONS)
- $2.929 BILLION IN NEW INVESTMENTS
- 13,132 NEW JOBS
- 3,283 RETAINED JOBS
- 350 MEGAWATTS OF NEW ELECTRIC LOAD

TARGETED SECTORS
- ADVANCED MATERIALS
- AEROSPACE
- AGROBIOLOGY
- AUTOMOTIVE
- CHEMICALS
- DATA CENTERS
- DISTRIBUTION, WAREHOUSING & LOGISTICS
- STEEL
- SUSTAINABLE BUILDING PRODUCTS

BUSINESS INTELLIGENCE
- IDENTIFY AND DEVELOP BUSINESS INTELLIGENCE TOOLS
- DEVELOP TARGETED SECTOR EXPERTISE
- SUPPORT SOUTH CAROLINA COMMUNITIES IN RESPONDING TO PROSPECTS

COMMUNITY PREPAREDNESS
- DEVELOP AND IMPLEMENT TRAINING PROGRAM TARGETED TO ECONOMIC DEVELOPMENT PROFESSIONALS, BUSINESS LEADERS, AND ELECTED OFFICIALS
- PROVIDE ORGANIZATION DEVELOPMENT & PLANNING SERVICES FOR LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS FUNDING FOR STRATEGIC PLANS

KEY INITIATIVES

BRANDING & MARKETING
- GLOBAL BUSINESS DEVELOPMENT
- COMPETITIVENESS & PRODUCT DEVELOPMENT
- BUSINESS INTELLIGENCE
- COMMUNITY PREPAREDNESS
- EXISTING INDUSTRY
- WORKFORCE/EDUCATION

BRANDING
- TAKE ADVANTAGE OF SOCIAL MEDIA FOR BUSINESS INTELLIGENCE AND PROMOTION
- REDESIGN THE WEBSITE

MARKETING
- UTILIZE KEY AND/or KEY INVESTMENT EVENTS AND OTHER STRATEGIC INITIATIVES TO PARTICIPATE IN THOSE THAT OFFER GREATEST OPPORTUNITY TO CONNECT WITH LOCAL MAVERICKS

COMPETITIVENESS & PRODUCT DEVELOPMENT
- ENHANCE SITE AND BUSINESS DATABASE
- CONTINUE & EXPAND ASSISTANCE WITH PRODUCT DEVELOPMENT
- ENHANCE EXISTING INCENTIVES - REACT FUND
- PURSUE NEW INCENTIVE PROGRAMS - SC POWER TEAM SITE READINESS FUND (SPFR)
- PURSUE RATE CHANGES TO ENSURE FUTURE COMPETITIVENESS

GLOBAL BUSINESS DEVELOPMENT
- CONTINUE & INCREASE LEAD GENERATION EFFORTS
- TAKE A MORE SUBSTANTIVE ROLE IN RESPONSING TO LEADS, MAKING LEADS AND PROJECTS IDENTIFIED BY THE POWER TEAM EFFORTS
- SUPPORT PARTNERS IN BUSINESS BENCHMARK ACTIVITIES

EXISTING BUSINESS SUPPORT
- CONTINUE AND ENHANCE EXISTING INDUSTRY PROGRAMS
- DEVELOP A CORPORATE HEADQUARTERS VISITATION PROGRAM

IMPLEMENTATION

WORKFORCE/EDUCATION
- SERVE AS A RESOURCE FOR WORKFORCE/EDUCATION DATA
- ESTABLISH RELATIONSHIPS WITH WORKFORCE DEVELOPMENT INSTITUTIONS/ORGANIZATIONS

STAKEHOLDER INPUT
300+ PARTICIPANTS
WHAT DOES SUCCESS LOOK LIKE?

5 YEAR METRICS

- 165 ANNOUNCEMENTS (NEW & EXPANSIONS)
- $2.929 BILLION IN NEW INVESTMENTS
- 13,132 NEW JOBS
- 3,283 RETAINED JOBS
- 350 MEGAWATTS OF NEW ELECTRIC LOAD
What we set out to do in 2014?

• Compete on Rate
• Help communities prepare for opportunities that were coming to cooperative served territory
  • Site Readiness Fund
  • Statewide Labor Study
• Strengthen incentive offerings for projects that create system value
• BE AN ESSENTIAL PARTNER TO OUR ECONOMIC DEVELOPMENT ALLIES
Community Preparedness

• SC Power Team Site Readiness Fund (SRF)
  • $36,000,000 Fund over a 5-year period
  • Leveraged an additional $125 million from communities, cooperatives and other partners

• Site Advancement Fund
  • $30,000/year per Cooperative

• Assistance with Due Diligence

• Statewide Labor Study
  • Under-employment
  • True Commute Patterns
  • Skills Gap Analysis
Tri-County Global Industrial Site
Connexial Center
Project Pioneer
Statewide Labor Study
True Commute Patterns

- Commuting is typically community/region specific
- But generally is a function of wage
- Willingness to commute – where can new and expanding employers expect to recruit workers from
- Realistic commuting zones & labor sheds
DEMographic profile (45-MINute drive time)

Key Demographic Takeaways & Commentary

- This labor shed overall shows very strong projected growth rates over the next five years.
- The region also has more favorable labor participation rates along with household income. However, median age is slightly above the state average.
- This labor shed has a higher concentration of workers with degrees or some college.

Comprehensive Regional Workforce Assessment: Beaufort County
Underemployment

<table>
<thead>
<tr>
<th>Total Available Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed</td>
</tr>
<tr>
<td>Underemployed</td>
</tr>
<tr>
<td>Those Not in Labor Force but Willing to Re-Enter</td>
</tr>
</tbody>
</table>

Key Takeaways
- Workforce is tight
- Many unemployed are “unemployable” without training and upskilling
- Quantifying underemployed is critical for new and expanding operations

- Non-permanent prefer permanent
- Part-time, prefer full-time
- “Overqualified”
The figures below show key underemployment statistics for the selected 45-minute drive time labor shed in Beaufort County.

**Overall Underemployment**
- **15.0%**
  - State Rate of 16.2%

**Potential Target Workforce (Overall)**
- **9,939**

**Blue Collar Underemployment**
- **13.4%**
  - State Rate of 15.5%

**Potential Blue Collar Workforce**
- **2,091**

**Production & Distribution Underemployment**
- **19.0%**
  - State Rate of 20.2%

**Potential Production & Distribution Workforce**
- **854**

**White Collar Underemployment**
- **15.5%**
  - State Rate of 16.5%

**Potential White Collar Workforce**
- **7,847**

**Engineering, Science, and IT Underemployment**
- **11.1%**
  - State Rate of 11.3%

**Potential Engineering, Science, & IT Workforce**
- **154**

Source: 2017 SC Power Team Workforce Survey

Note: The data provided above are for the specific assigned drive time around a point. The Power Team’s “SC Data Center” at datacenter.scpowerteam.com has the ability to pull this data for any specific point and drive time in the state.
Skills Gap Analysis

Evaluation of the Needs of Employers vs
The Skillsets/Assets Available in the Current Workforce
LABOR QUALITY: BLUE COLLAR

The table below shows surveyed firms overall opinion of their and the region’s Blue Collar (e.g. production, distribution, maintenance) workforce based on specific criteria. The overall weighted score for each criteria is shown below. Those numerical responses are also color coded with higher scoring, green-colored cells showing a more positive opinion, and lower-scoring red-colored cells showing a relatively lower opinion. This series of questions is meant to better identify the qualitative strengths and weaknesses of the regional workforce through the eyes of key employers. Additional commentary from the surveys and interviews are included further below.

### Blue Collar Occupations – Workforce Quality: Employer Survey & Interviews

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Experience</th>
<th>Certifications</th>
<th>Technical Skill</th>
<th>Soft Skill</th>
<th>Reading, Writing, Math</th>
<th>Productivity</th>
<th>Work Ethic</th>
<th>Turnover</th>
<th>Absenteeism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>2.92</td>
<td>2.50</td>
<td>2.10</td>
<td>2.29</td>
<td>2.36</td>
<td>2.64</td>
<td>3.14</td>
<td>2.79</td>
<td>2.71</td>
<td>2.43</td>
</tr>
<tr>
<td>State Overall</td>
<td>3.15</td>
<td>3.10</td>
<td>2.68</td>
<td>2.78</td>
<td>2.60</td>
<td>2.87</td>
<td>3.43</td>
<td>3.23</td>
<td>3.06</td>
<td>2.84</td>
</tr>
</tbody>
</table>

**Key Findings & Interview Commentary**

- **Generally Lower View of Workforce Quality in the Broad Region:** Compared to the state overall, responding employers generally rated workforce quality as being lower in the region compared to the state overall. This is likely due in part to the significant amount of growth and very tight labor market in this part of the state of South Carolina.

- **Concerns About Technical & Soft Skills, along with Absenteeism:** Of note, responding employers rated technical skills (along with certifications), soft skills, and absenteeism less favorably compared to other job quality measures.

Source: Company Interviews and Surveys
LABOR QUALITY: HIRING CHALLENGES

The tables below show employer survey responses regarding the level of challenge they encounter when trying to hire certain Blue Collar occupational categories, like production and distribution workers. The second chart shows employers’ opinion of the main drivers of challenges in hiring those types of workers. In the top table, higher-scoring green-colored cells indicate that those positions are relatively easier to hire than lower-scoring, red-colored cells. The table further below shows employer-reported reasons for those hiring challenges.

**Blue Collar Workers – Challenges in Hiring Specific Positions: Employer Survey**

<table>
<thead>
<tr>
<th></th>
<th>Entry-Level Production</th>
<th>Skilled Production</th>
<th>Production Supervisor</th>
<th>Entry-Level Distribution</th>
<th>Semi-Skilled Dist. (e.g. FL)</th>
<th>Specialized Dist. (e.g. CDL)</th>
<th>Maintenance</th>
<th>Skilled Traded (e.g. Elec.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>3.00</td>
<td>1.69</td>
<td>1.33</td>
<td>3.00</td>
<td>2.29</td>
<td>3.00</td>
<td>2.10</td>
<td>1.29</td>
</tr>
<tr>
<td>State Overall</td>
<td>3.24</td>
<td>1.94</td>
<td>1.72</td>
<td>3.22</td>
<td>2.81</td>
<td>2.45</td>
<td>1.83</td>
<td>1.54</td>
</tr>
</tbody>
</table>

**Blue Collar Workers – Reasons for Challenges in Hiring: Employer Survey** (Score inverted to keep low score = negative consistent)

<table>
<thead>
<tr>
<th></th>
<th>Lack Education</th>
<th>Lack Certifications</th>
<th>Lack Skills</th>
<th>Lack Relevant Experience</th>
<th>Lack Any Experience</th>
<th>Drugs</th>
<th>Need Childcare/Transpo.</th>
<th>No Show</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>2.92</td>
<td>3.00</td>
<td>2.38</td>
<td>2.54</td>
<td>3.15</td>
<td>2.77</td>
<td>2.85</td>
<td>2.54</td>
</tr>
<tr>
<td>State Overall</td>
<td>3.02</td>
<td>3.02</td>
<td>2.61</td>
<td>2.59</td>
<td>2.96</td>
<td>2.86</td>
<td>3.02</td>
<td>2.76</td>
</tr>
</tbody>
</table>

**Key Findings & Interview Commentary**

- **Very Difficult to Find Skilled Workers**: Across the more skilled occupational categories (e.g. skilled production supervisors, maintenance, and skilled trades), responding employers noted that it’s very challenging to hire these types of position.

At the same time, while entry-level workers are more available, compared to the state results overall, these positions are also comparatively more difficult to hire.

Source: Company interviews and surveys
In the online survey and interviews, respondents were asked about their opinions of local educational institutions and the degree of their interaction with those institutions as it relates to workforce development and other strategic initiatives. The survey results are shown in the graphics below:

**K-12 Schools**
Compared to statewide results, employers in the immediate region noted generally low levels of interaction with local K-12 schools as it relates to their workforce needs. However, some commented that they are exploring new partnerships with schools. For example, one employer noted a recent effort to start an introductory welding program in a local school.

**Technical Schools And Training**
Despite comparatively lower rankings in terms of quality and interaction, several interviewed employers noted strong interaction and programs at the Technical College of the Lowcountry along with Trident Tech. One other note of interest was some smaller employers that leverage technical training for broad skill sets, but that have specialized processes that are difficult to implement a formal training program for.

---

**Overall View of Educational Institutions**

<table>
<thead>
<tr>
<th></th>
<th>K-12</th>
<th>Community/Technical College</th>
<th>4 Year Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>2.47</td>
<td>3.26</td>
<td>3.44</td>
</tr>
<tr>
<td>State Overall</td>
<td>2.87</td>
<td>3.46</td>
<td>3.73</td>
</tr>
</tbody>
</table>

**Level of Interaction with Educational Institutions**

<table>
<thead>
<tr>
<th></th>
<th>K-12</th>
<th>Community/Technical College</th>
<th>4 Year Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>1.87</td>
<td>2.33</td>
<td>2.43</td>
</tr>
<tr>
<td>State Overall</td>
<td>2.17</td>
<td>2.62</td>
<td>2.38</td>
</tr>
</tbody>
</table>

Source: Company Interviews and Surveys
## Blue Collar Workers – Challenges in Hiring Specific Positions: Employer Survey

<table>
<thead>
<tr>
<th></th>
<th>Entry-Level Production</th>
<th>Skilled Production</th>
<th>Production Supervisor</th>
<th>Entry-Level Distribution</th>
<th>Semi-Skilled Dist. (e.g. FL)</th>
<th>Specialized Dist. (e.g. CDL)</th>
<th>Maintenance</th>
<th>Skilled Traded (e.g. Elec.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beaufort</td>
<td>3.00</td>
<td>1.69</td>
<td>1.33</td>
<td>3.00</td>
<td>2.29</td>
<td>3.00</td>
<td>2.10</td>
<td>1.29</td>
</tr>
<tr>
<td>Allendale</td>
<td>2.33</td>
<td>1.33</td>
<td>1.67</td>
<td>2.33</td>
<td>2.00</td>
<td>1.50</td>
<td>1.50</td>
<td>2.00</td>
</tr>
<tr>
<td>Hampton</td>
<td>3.00</td>
<td>1.67</td>
<td>1.43</td>
<td>3.00</td>
<td>2.22</td>
<td>2.40</td>
<td>2.00</td>
<td>1.44</td>
</tr>
<tr>
<td>Jasper</td>
<td>3.00</td>
<td>1.69</td>
<td>1.33</td>
<td>3.00</td>
<td>2.29</td>
<td>3.00</td>
<td>2.10</td>
<td>1.29</td>
</tr>
<tr>
<td>State Overall</td>
<td>3.24</td>
<td>1.94</td>
<td>1.72</td>
<td>3.22</td>
<td>2.81</td>
<td>2.45</td>
<td>1.83</td>
<td>1.54</td>
</tr>
</tbody>
</table>

*Difficult to Hire (1.0) – Easy to Hire (5.0)*
**Blue Collar Workers – Reasons for Challenges in Hiring: Employer Survey (Score inverted to keep low score = negative consistent)**

<table>
<thead>
<tr>
<th></th>
<th>Lack Education</th>
<th>Lack Certifications</th>
<th>Lack Skills</th>
<th>Lack Relevant Experience</th>
<th>Lack Any Experience</th>
<th>Drugs</th>
<th>Need Childcare/Transpo.</th>
<th>No Show</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beaufort</strong></td>
<td>2.92</td>
<td>3.00</td>
<td>2.38</td>
<td>2.54</td>
<td>3.15</td>
<td>2.77</td>
<td>2.85</td>
<td>2.54</td>
</tr>
<tr>
<td><strong>Allendale</strong></td>
<td>2.67</td>
<td>2.33</td>
<td>2.33</td>
<td>2.67</td>
<td>2.67</td>
<td>2.67</td>
<td>2.33</td>
<td>2.33</td>
</tr>
<tr>
<td><strong>Hampton</strong></td>
<td>2.87</td>
<td>2.93</td>
<td>2.40</td>
<td>2.53</td>
<td>3.07</td>
<td>2.73</td>
<td>2.80</td>
<td>2.53</td>
</tr>
<tr>
<td><strong>Jasper</strong></td>
<td>2.92</td>
<td>3.00</td>
<td>2.38</td>
<td>2.54</td>
<td>3.15</td>
<td>2.77</td>
<td>2.85</td>
<td>2.54</td>
</tr>
<tr>
<td><strong>State Overall</strong></td>
<td>3.02</td>
<td>3.02</td>
<td>2.61</td>
<td>2.59</td>
<td>2.96</td>
<td>2.86</td>
<td>3.02</td>
<td>2.76</td>
</tr>
</tbody>
</table>

Common Issue (1.0) to Uncommon Issue (5.0)
Understanding FILOT Issues and Developing Responsible FILOT Protocols

Will Johnson
Presentation to Beaufort County Council

This information is not to be construed as legal advice or as pertaining to specific factual situations. Any result the law firm and/or its attorneys may have achieved on behalf of clients in other matters does not necessarily indicate similar results can be obtained for other clients.

© 2019 Haynsworth Sinkler Boyd, P.A.
Simple Formula for Property Taxes in South Carolina

Value x Assessment Ratio x Millage Rate
• **Value** is generally locked at cost for real property and statutory depreciation for personal property

• **Assessment ratio** is generally reduced to 6% (can be as low as 4% for "Super FILOT" project)

• **Millage rate** is generally locked but can be five-year variable (June 30 rule)
• Critical to understand **different** property taxes for **different** types of property

<table>
<thead>
<tr>
<th>Property Tax Examples (No Abatements/Exemptions)</th>
<th>Manufacturing</th>
<th>Commercial (real)</th>
<th>Commercial (personal)</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>50,000,000</td>
<td>10,000,000</td>
<td>10,000,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Chatham Uninc</td>
<td>729,700.00</td>
<td>145,940.00</td>
<td>145,940.00</td>
<td>3,648.50</td>
</tr>
<tr>
<td>City of Savannah</td>
<td>888,600.00</td>
<td>177,720.00</td>
<td>177,720.00</td>
<td>4,443.00</td>
</tr>
<tr>
<td>Beaufort Uninc</td>
<td>1,055,000.00</td>
<td>126,600.00</td>
<td>221,550.00</td>
<td>970.00</td>
</tr>
<tr>
<td>City of Beaufort</td>
<td>1,433,500.00</td>
<td>172,020.00</td>
<td>301,035.00</td>
<td>1,727.00</td>
</tr>
</tbody>
</table>
Existing Buildings Are Not Eligible Without $45,000,000 Investment

SC Code 12-44-110: Property which previously has been subject to property taxes in South Carolina does not qualify as economic development property, except . . . (3) property which previously has been placed in service in this State and previously has been subject to property taxes in this State which is purchased in a transaction other than between any of the entities specified in Section 267(b) of the Internal Revenue Code, as defined under Chapter 6, Title 12 as of the time of the transfer, may qualify as economic development property if the sponsor invests at least an additional forty-five million dollars at the project.

Alternative: FILOT-Equivalent SSRC
Net Present Value Method
Available for $45,000,000 Project

SC Code 12-44-50(A)(3): If the project subject to the fee agreement involves an investment of at least forty-five million dollars, the county and the sponsor may agree to pay the fees established in subsection (A)(1) based on an alternative payment method yielding a net present value of the fee schedule as calculated in subsection (A)(1) provided the sponsor agrees to a millage rate as established in subsection (A)(1)(b)(i). Net present value calculations must use a discount rate equivalent to the yield in effect for new or existing United States Treasury bonds of similar maturity as published during the month in which the fee agreement is executed.
Super Fees or Super Super Fees

SC Code 12-44-30(7)

Enhanced Investment (Super Fee) = (1) $150,000,000 and 125 new, full-time jobs or (2) $400,000,000 by single sponsor
- Investment period of eight years
- Assessment ratio as low as 4%

Super Super Fee = Over $500,000,000 and 1,000 employees
- Investment period of 10 years
- Term can be 40 years with 10-year extension up to total of 50 years
County officials and company representatives should look closely at FILOT agreements for property initially placed in service in 2012 (or 2007 for 10-year investment periods)

Taxpayer must apply for an extension prior to the expiration of the current investment period
Original FILOT agreements provide only 20-year terms; if agreement was entered into in 1997, investments placed in service in 1997 would be subject to FILOT only through 2017 without an extension of the term.

Taxpayer must apply for an extension prior to the expiration of the current term.
Valuation Option for Real Estate

SC Code 12-44-50(A)(1)(c)(i): The county and the sponsor or sponsor affiliate may instead provide in the fee agreement or any amendment thereto that any real property subject to the fee shall be reported at its fair market value for ad valorem property taxes as determined by appraisal as if such property were not subject to the fee; provided, the department may not undertake such an appraisal more than once every five years.
**SSRCs / Equipment Removal**

**SC Code 4-29-68(A)(2):** (i) The bonds are issued for the purpose of paying the cost of designing, acquiring, constructing, improving, or expanding (a) the infrastructure serving the issuer or the project, (b) for improved or unimproved real estate and personal property including machinery and equipment used in the operation of a manufacturing or commercial enterprise...

(ii) To the extent that the bonds or any credit or offset against a fee in lieu of taxes that is allowed in lieu of the issuance of the bonds, is used as payment for personal property, including machinery and equipment, and the personal property is removed from the project at any time during the life of the fee, the amount of the fee in lieu of taxes due on the personal property for the year in which the personal property was removed from the project also shall be due for the two years immediately following the removal.***

*** Proposed legislation would change this rule
Issue #8

Ceasing Operations

SC Code 12-44-110(C): If at any time a sponsor or sponsor affiliate no longer has the minimum level of investment as provided in Section 12-44-30(14), without regard to depreciation ($2,500,000), that sponsor or sponsor affiliate no longer qualifies for the fee.

What happens when company ceases operations and shuts down the facility?
SSRCs in General

SSRCs provide extremely broad authority to county to grant incentives
- Note: MCIP inclusion for property in a municipality requires consent, but SSRC does not

Consider consistency and what has been done in prior deals
Issue #10

Clawbacks

Basic FILOT - Normally, statutory minimum of $2,500,000 is the requirement

SSRCs - What is county relying on in terms of investment and job creation in offering SSRCS?
Incentives for Retention

Carrier deal may generate new wave of companies seeking incentives for retention - be prepared!

Basic FILOT = some counties may view as leveling the playing field more so than incentive
Thank You

Will Johnson
wjohnson@hsblawfirm.com
803-540-7945

This information is not to be construed as legal advice or as pertaining to specific factual situations. Any result the law firm and/or its attorneys may have achieved on behalf of clients in other matters does not necessarily indicate similar results can be obtained for other clients.

© 2019 Haynsworth Sinkler Boyd, P.A.